

## Message Text

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R 231748Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

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STADIS//////////

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FOLLOWING REPEAT ACTION SECSTATE WASHDC OF 16 JUL 74:

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DEPT ALSO PASS TO AMB LONDON

E.O. 11652: N/A

TAGS: ETRN

SUBJ: LAKER CASE

1. MEETING WAS HELD IN LONDON AT 4 P.M. JULY 15 WITH  
MINISTER CLINTON DAVIS OF DEPARTMENT OF TRADE AND INDUSTRY  
AND WITH DAVID HUBBACK IN THE MINISTER'S OFFICE. DEPUTY  
ASSISTANT SECRETARY WALDMANN AND PAUL CLAPPIN FROM  
EMBASSY LONDON COMMUNICATED TO THE MINISTER THE GIST OF  
THE PROPOSED CAB ORDER ON THE APPLICATION OF LAKER AIR-  
WAYS TO OPERATE THE SKYTRAIN. THE MINISTER WAS TOLD THAT  
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THE BOARD CONSIDERED THAT LAKER IS NOT FIT TO PERFORM THE

PROPOSED SERVICE AND THAT IN ANY EVENT THE BOARD DID NOT FIND THE PROPOSED SERVICE TO BE IN THE PUBLIC INTEREST BECAUSE OF THE UNECONOMIC FARES PROPOSED. THE US EXPRESSED THE DESIRE TO AVOID DIFFICULTIES OVER THIS POSITION. IT WAS ALSO STATED THAT THE PRESIDENT WAS LIKELY TO APPROVE THE BOARD'S RECOMMENDATION GIVEN THE PRESENT STATE OF AIR OPERATIONS OVER THE NORTH ATLANTIC STEMMING FROM THE FUEL CRISIS AND OTHER INDUSTRY PROBLEMS.

2. MINISTER'S FIRST REACTION WAS THAT WE WERE "ASKING A LOT" FOR THE BRITISH GOVERNMENT TO ACCEPT THIS PROPOSED US ACTION. THE BRITISH CAA HAD FOUND THAT LAKER WAS FIT AND THE MINISTER WAS SURPRISED AT THIS BOARD FINDING. THE US COMMENTED THAT IT WAS QUITE CONCEIVABLE THAT LAKER COULD BE FOUND FIT IN ONE FORUM AND UNFIT IN ANOTHER SINCE DIFFERENT STANDARDS MIGHT BE USED, HIS BEHAVIOR COULD BE DIFFERENT AND IN ANY EVENT IT WOULD BE DIFFICULT FOR THE MINISTER TO APPRECIATE THE EVIDENCE WITHOUT SEEING IT. THE US SIDE COMMENTED IN PASSING THAT THERE WAS SOME INDICATION THAT LAKER HAD NOT BEEN FORTHCOMING AND HAD NOT COMPLIED WITH THE BOARD'S REQUEST FOR INFORMATION.

3. THE MINISTER SAID THAT IF THE PRESIDENT FOUND LAKER TO BE UNFIT THEN THE BRITISH GOVERNMENT WOULD HAVE TO TAKE A LOOK AT THE EVIDENCE ON WHICH THE DECISION WAS BASED. IF THE CASE AGAINST LAKER IS A BOGUS ONE, THIS COULD ENDANGER THE PRINCIPLES INCORPORATED IN THE BILATERAL AGREEMENT. IF, ON THE OTHER HAND, THE CASE IS A GOOD ONE, THEN IT WOULD BE ACCEPTED AND IT WOULD ALSO HAVE RAMIFICATIONS FOR LAKER'S AUTHORITIES IN THE UK AND FOR HIS BUSINESS REPUTATION. THE MINISTER AGREED THAT IT WAS DIFFICULT TO MAKE THIS JUDGMENT IN THE ABSTRACT AND WAS INTERESTED IN RECEIVING MORE INFORMATION.

4. THE MINISTER THEN SAID THE BRITISH HAD EXPECTED DIFFERENT CONCLUSION TO BOARD PROCEEDINGS. THEY HAD EXPECTED "YES, BUT" EVALUATION AND AN OFFER TO LIMITED OFFICIAL USE

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WORK OUT CONDITIONS UNDER WHICH LAKER WOULD BE ALLOWED TO OPERATE. HUBBACK MENTIONED FIVE CONDITIONS THAT THEY HAD EXPECTED THE US TO PROPOSE: THAT THE SERVICE BE DENOMINATED EXPERIMENTAL, THAT THE SERVICE BE LIMITED TO SAY, FIVE FLIGHTS PER WEEK, THAT FARES HIGHER THAN THOSE PROPOSED WOULD BE REQUIRED, THAT NON-CENTRAL AIRPORTS SUCH AS STANSTED AND NEWARK BE USED, AND THAT A SIMILAR RECIPROCAL US SERVICE BE AUTHORIZED. HUBBACK

ALSO SUGGESTED THAT UNDER SUCH CONDITIONS THERE WAS A QUESTION WHETHER LAKER WOULD EVEN OPERATE.

5. AFTER THE MINISTER LEFT, HUBBACK THEN REVIEWED THE PRESIDENT'S OPTIONS. THESE INCLUDED, IN HIS VIEW, THE (1) OUTRIGHT DENIAL OF THE APPLICATION ON THE GROUNDS CITED, (2) RETURNING IT TO THE BOARD FOR A DIFFERENT RESULT, (3) GRANTING THE APPLICATION AS PRESENTED AND THUS OVERRULING THE BOARD, (4) GRANTING THE APPLICATION WITH CONDITIONS. THE CLEAR IMPRESSION WAS LEFT THAT THIS FOURTH OPTION WAS WHAT THE BRITISH HAD EXPECTED AND THAT THEY WERE WILLING TO DISCUSS WITH US FURTHER SUCH POSSIBLE CONDITIONS.

6. BOTH THE MINISTER AND HUBBACK STATED THAT WE "HAD BIGGER FISH TO FRY" IN OUR BILATERAL RELATIONS THAN THE LAKER CASE. IT WAS SUGGESTED THAT WE DISCUSS THIS MATTER FURTHER AT THE NEXT MEETING, NOW TENTATIVELY SCHEDULED FOR WEDNESDAY, JULY 31, IN LONDON. THE MINISTER EVEN OFFERED TO MEET WITH WALDMANN AGAIN AT THAT TIME TO CONSIDER THE MATTER FURTHER. HUBBACK SUGGESTED THAT HE WOULD CABLE THE UK EMBASSY IN WASHINGTON TO CONVEY THE CONVERSATION AND THAT SOMEONE FROM THE EMBASSY MAY BE IN TOUCH WITH MEADOWS OR STYLES. WE PRESUME THE PURPOSE OF THIS CONTACT WOULD BE TO FORM A BETTER OPINION OF THE CASE AGAINST LAKER.

7. BEFORE JULY 31 MEETING WALDMANN SHOULD RECEIVE EITHER INSTRUCTIONS ON HOW TO PROCEED OR AT A MINIMUM INDICATIONS OF THE PROPOSED ACTION OF THE ADMINISTRATION. IF THE BRITISH CAN BE CONVINCED OF THE CASE AGAINST LAKER, IT APPEARS IT WOULD BE A SAFE COURSE TO DECLARE HIM UNFIT. IF, HOWEVER, THERE LIMITED OFFICIAL USE

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IS DOUBT ABOUT THE BRITISH ACCEPTANCE OF THE BOARD'S CASE AGAINST LAKER, THEN IT MAY BE PRUDENT TO NEGOTIATE AGREED CONDITIONS WITH THE BRITISH AND TO IMPOSE THEM ON LAKER.DALE  
UNQUOTE KISSINGER

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